



AHCCCS

Our first care is your health care

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

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May 28, 2008

Karen L. Fields, Director
Pima Health System
3950 S. Country Club Rd., Suite 400
Tucson, Az 85714

RE: Request for capped enrollment

Dear Ms. Fields:

In response to the Pima Health System request for capped contract, AHCCCS is providing further clarification on capitation rates and seeking additional information on potential impacts to other AHCCCS lines of business. To be clear: this letter is **NOT** approval of your request for a capped contract. Upon receipt of your response to this letter, AHCCCS will conclude consideration of your request and will inform you by separate letter of its decision.

AHCCCS wants to make you aware that should a capped contract be approved, adjustments would be made to your Best and Final Offer (BFO) rates resulting in Capped Contract capitation rates.

The Capped Contract capitation rates, for the prospective rates that were bid, would be reduced to the lesser of your BFO rates (adjusted accordingly if out of the AHCCCS actuarial rate range), or the lowest awarded rates, by risk group. AHCCCS estimates this to be approximately a 2.1% reduction to your composite BFO rate. The Capped Contract rates would be further adjusted by a Pima County-only factor, which would result in a slight increase overall from the Pima/Santa Cruz rates. AHCCCS would require an actuarial sign-off of the final Capped Contract rates if a capped contract were approved. In addition, the final Capped Contract capitation rates would be subject to the risk adjustment described in the RFP; the risk adjustment would be applied based on member specific encounter data. Finally, the rates would be subject to any of the other items identified in the RFP such as reinsurance level or new legislative impacts.

Given this information, AHCCCS requests that you inform us, in writing, of whether or not you would accept these capitation rates if AHCCCS decides to offer a capped contract. Please see the attachment for specific rates.

We also request that you provide AHCCCS with information regarding the impact to other AHCCCS lines of business if Pima Health System were not awarded a capped contract.

In closing, please be advised that AHCCCS is in receipt of the Pima Health System protest, and is processing that completely separately from the request for a capped contract.

Sincerely,

Michael Veit
Procurement Officer

Pima Capped Contract Rates

Arizona Health Care Cost Containment System

Pima Health Systems CYE 09 Rates for Capped Contract -

		<1	1-13	14-44F	14-44M	45+	SSI W	SSI W/O	NonMed
Capped Contract Capitation Rates - GSA 10	\$	425.78	\$ 102.21	\$ 232.79	\$ 120.78	\$ 393.08	\$ 147.77	\$ 717.65	\$ 474.11

Note

These rates would be adjusted, by AHCCCS, for a Pima County-Only capped contract. Currently these rates are reflective of both Pima and Santa Cruz counties.